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HORNE & PITFIELD
FOODS LIMITED
ANNUAL REPORT 1974





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HORNE & PITFIELD

FOODS LIMITED



HIGHLIGHTS

	1974*	1973
Sales	\$204,385,407	\$94,009,263
Net income	1,341,127	840,223
Per share	69.9c	45.7c
Working capital	\$ 7,686,869	\$ 8,446,031
Total assets	40,141,656	34,480,548
Shareholders' equity	8,191,390	6,616,758
Per share	\$4.18	\$3.56

* The 1974 fiscal period consisted of 43 weeks only.

REPORT TO SHAREHOLDERS

Fiscal 1974 was the most successful period of operations in the history of your Company. As reported previously we changed our year end to the last Saturday in January of each year and as a result operating figures this year are for the 43 weeks ended January 26, 1974 as compared with the 52 weeks ended March 31, 1973. Despite the considerably shorter period, new records were attained in both sales and net income. Sales for the 43 weeks this year were \$204,385,407 as compared with \$94,009,263 for the 52 weeks last year, while net income was \$1,341,127 as compared with \$840,223. On a per share basis earnings were 69.9c for the 43 weeks this year as compared with 45.7c for the 52 weeks last year. While a large portion of these increases was the result of including the operations of our U.S.A. subsidiary, Market Wholesale Grocery Co. of California, since the date of acquisition March 30, 1973 it should be noted that our Canadian operations recorded marked improvement in both sales and net income.

During the 43 weeks under review our program of growth, development and modernization continued. A number of older and smaller retail stores were closed by retailers and transfers were made from one group to another in our constant effort to upgrade all groups. A new 22,000 square foot IGA Foodmart was opened in the 170,000 square foot Southview Shopping Mall in Medicine Hat, Alberta and new IGA units were opened in Morinville and Brooks, Alberta in replacement of older facilities. The IGA stores in Leduc and Whitecourt, Alberta were both expanded and Clock IGA in Edmonton, Alberta was completely refurbished. Four stores were added to our Mayfair group and five new Red Rooster stores were opened. Our Cash & Carry Depot in Calgary, Alberta was extended, new warehouse facilities were completed in Dawson Creek, British Columbia and construction commenced on our new 150,000 square foot warehouse in Calgary, Alberta, which we plan to occupy in July of this year. Since year end further renovations have been completed at IGA stores in Edmonton, Ponoka and Stettler, Alberta and agreement has been reached for a new 21,000 square foot IGA Foodmart in the 200,000 square foot Prairie Mall in Grande Prairie, Alberta.

Further improvement was achieved in our vending machine operations through our subsidiary, C. W. Boon & Company Limited, and our branch warehouses in Alberta and British Columbia. During the period under review, the number of machines in service increased to 440.

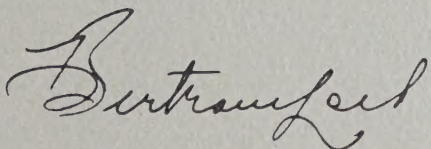
On March 4, 1974 our U.S.A. subsidiary, Market Wholesale Grocery Co., acquired the business of Lucky Wholesale Foods, Inc., of Redding, California, which supply groceries and delicatessen products to independent retailers and corporate chains operating in Northern California and Southern Oregon. Lucky has been absorbed into Market as a branch, creating an expanded base of operations which affords added opportunity for further growth and development.

The past 43 weeks constituted an excellent period for your Company and we look forward to another successful year of operations for fiscal 1975 encouraged by the fact that for the first nine weeks of the current year, consolidated sales were up 22%.

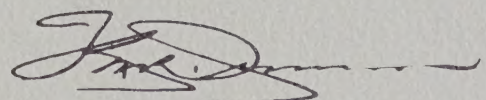
The success of your Company is dependent on the 1,100 men and women employed at all levels of our organization. On your behalf and the Board of Directors we express warm appreciation to each of them for their individual efforts and accomplishments. Our valued affiliated retailers, customers and suppliers also play an important part in our success and again we extend sincere thanks for their continued loyalty and support.

The Annual General Meeting, to which all shareholders are cordially invited, will be held at the Head Office of the Company, Edmonton, Alberta, on Thursday, May 23, 1974, at 11:00 o'clock in the forenoon.

On behalf of the Board of Directors.



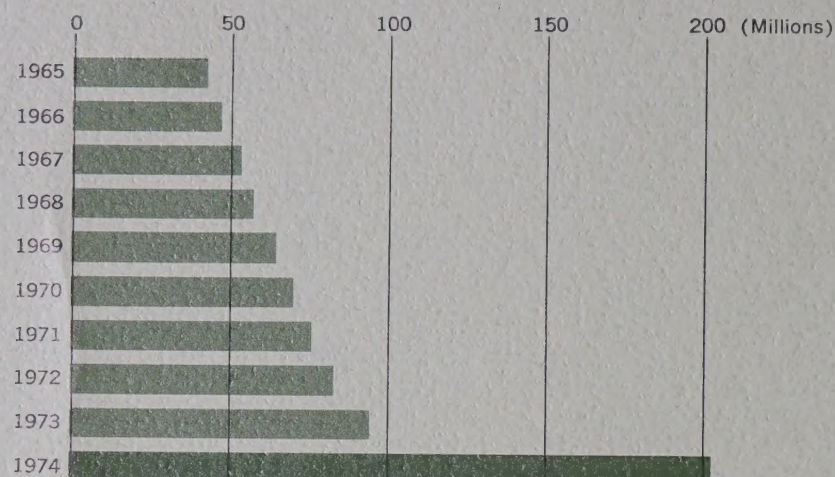
Bertram Loeb,
Chairman.



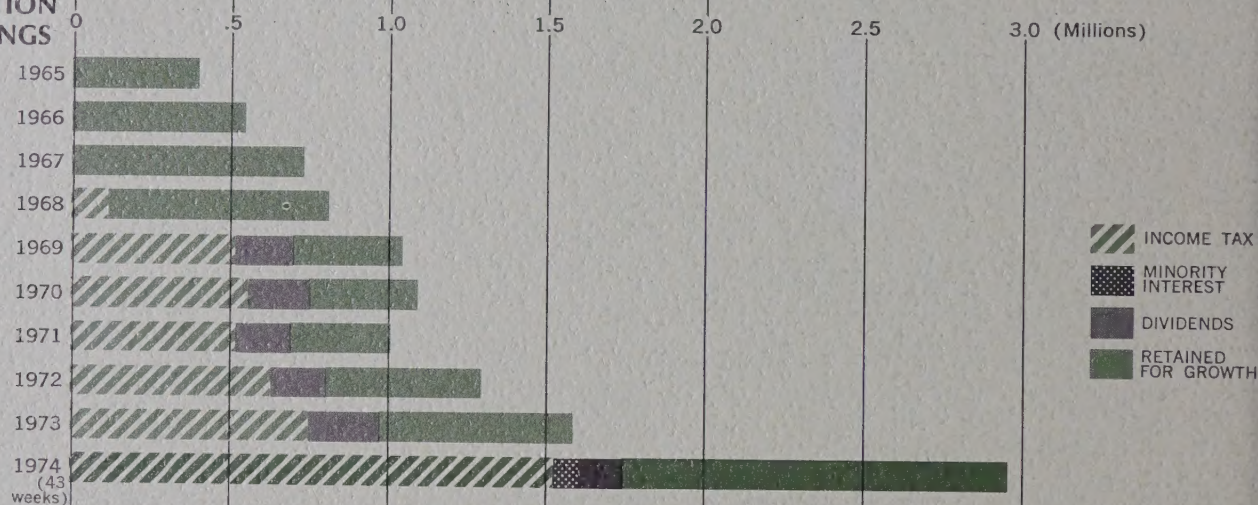
Kenneth W. Quinn,
President.

GROWTH AT A GLANCE

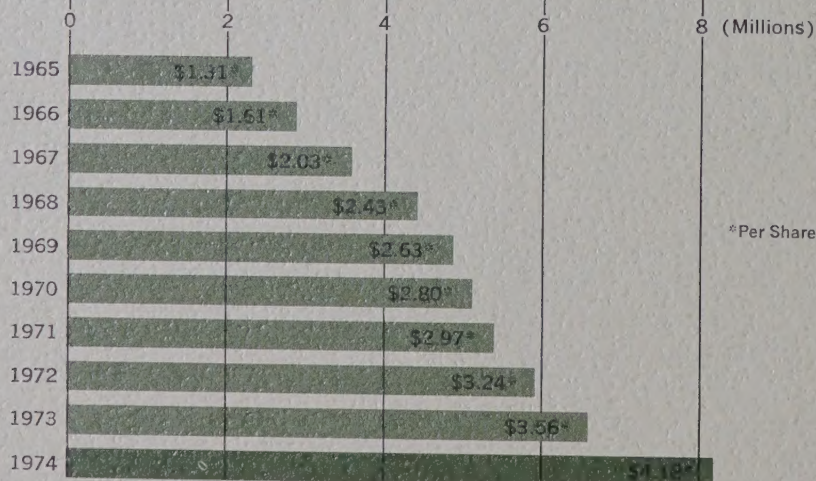
SALES



DISTRIBUTION OF EARNINGS



SHARE HOLDERS' EQUITY



* Per Share

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE 43 WEEKS ENDED JANUARY 26, 1974

(with comparative figures for the 52 weeks ended March 31, 1973)

	1974	1973
Sales	<u>\$204,385,407</u>	<u>\$94,009,263</u>
Income before the undernoted	<u>\$ 4,651,116</u>	<u>\$ 2,202,013</u>
Interest on long-term liabilities	823,441	82,998
Other interest	113,823	84,857
Depreciation	<u>752,974</u>	<u>438,935</u>
	<u>1,690,238</u>	<u>606,790</u>
Income before taxes	<u>2,960,878</u>	<u>1,595,223</u>
Income taxes	<u>1,550,000</u>	<u>755,000</u>
	<u>1,410,878</u>	<u>840,223</u>
Minority interest in earnings of subsidiary	<u>69,751</u>	
Net income	<u>1,341,127</u>	<u>840,223</u>
Retained earnings at beginning of period	<u>2,322,579</u>	<u>1,703,882</u>
	<u>3,663,706</u>	<u>2,544,105</u>
Dividends	<u>117,495</u>	<u>221,526</u>
Retained earnings at end of period	<u>\$ 3,546,211</u>	<u>\$ 2,322,579</u>
Earnings per share (Note 9)	<u>69.9c</u>	<u>45.7c</u>

CONSOLIDATED BALANCE SHEET

JANUARY 26, 1974

(with comparative figures as at March 31, 1973, Note 1)

ASSETS

	1974	1973
CURRENT:		
Cash	\$ 2,552,339	\$ 1,604,594
Accounts receivable	10,311,058	8,756,115
Inventories of merchandise (Note 2)	14,875,987	13,218,618
Prepaid expenses	303,596	322,686
Land, buildings and equipment held for sale, at the lower of cost and estimated realizable value	308,011	163,716
	<u>28,350,991</u>	<u>24,065,729</u>
DEFERRED:		
Accounts receivable	769,056	587,472
Other	91,753	75,353
	<u>860,809</u>	<u>662,825</u>
FIXED, at cost:		
Land and buildings (Note 3)	5,531,155	4,466,294
Equipment	7,991,281	7,205,670
	<u>13,522,436</u>	<u>11,671,964</u>
Less—Accumulated depreciation	5,677,571	5,004,961
	<u>7,844,865</u>	<u>6,667,003</u>
GOODWILL, at cost	3,084,991	3,084,991
	<u><u>\$40,141,656</u></u>	<u><u>\$34,480,548</u></u>

LIABILITIES

	1974	1973
CURRENT:		
Bank indebtedness (Note 4)	\$ 2,359,982	\$ 1,939,553
Accounts payable and accrued liabilities	16,817,602	12,410,427
Income taxes payable	263,621	461,821
Current portion of long term debt	1,222,917	807,897
	<u>20,664,122</u>	<u>15,619,698</u>
LONG TERM DEBT (Note 5)	9,513,269	10,551,079
DEFERRED INCOME TAXES	197,910	144,563
MINORITY INTEREST , including \$1,548,450 attributed to preferred shares	1,574,965	1,548,450
SHAREHOLDERS' EQUITY:		
Capital, shares of a par value of 20c each (Note 6)		
	1974	1973
Authorized—	5,000,000	5,000,000
Issued—	1,958,754	1,858,254
	391,751	371,651
Premium on share capital (Note 6)	4,253,428	3,922,528
Retained earnings	3,546,211	2,322,579
	<u>8,191,390</u>	<u>6,616,758</u>
COMMITMENTS AND CONTINGENCIES (Note 7)		
On behalf of the Board:		
BERTRAM I. LOEB, Director		
KENNETH W. QUINN, Director		
	<u>\$40,141,656</u>	<u>\$34,480,548</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE 43 WEEKS ENDED JANUARY 26, 1974

(with comparative figures for the 52 weeks ended March 31, 1973)

	1974	1973
Source of funds:		
Operations—		
Net income	\$1,341,127	\$ 840,223
Depreciation	752,974	438,935
Deferred income taxes	53,347	42,010
Total from operations	<u>2,147,448</u>	<u>1,321,168</u>
Increase in long term debt	—	8,690,124
Share capital issued	351,000	57,206
Minority interest	26,515	—
	<u>2,524,963</u>	<u>10,068,498</u>
Application of funds:		
Purchase of shares of Market Management Incorporated	—	9,285,770
Purchase of fixed assets (net)	1,930,836	680,077
Decrease in long term debt	1,037,810	—
Increase in deferred assets:		
Accounts receivable	181,584	6,965
Other	16,400	12,000
Dividends	117,495	221,526
	<u>3,284,125</u>	<u>10,206,338</u>
Decrease in working capital	759,162	137,840
Working capital at beginning of period	<u>8,446,031</u>	<u>3,284,493</u>
	7,686,869	3,146,653
Working capital of subsidiary companies acquired	—	5,299,378
Working capital at end of period	<u>\$7,686,869</u>	<u>\$8,446,031</u>

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION:

The companies have changed their fiscal year end to the last Saturday in January of each year commencing in 1974. The consolidated accounts present the operating results of the Company and all its subsidiaries for the 43 weeks ended January 26, 1974 and their financial position as at that date.

The comparative balance sheet figures as at March 31, 1973 have been restated to include the unaudited assets and liabilities of Market Management Incorporated and Market Wholesale Grocery Co.

The accounts of the California subsidiaries have been translated to Canadian dollars on the following basis:

Current assets and current liabilities at the exchange rate prevailing at January 26, 1974.

Other balance sheet items at historical rates of exchange.

Income and expenses (other than depreciation expense translated at the rates applicable to related depreciable assets) at the average exchange rate prevailing during the fiscal period.

The foreign exchange loss of \$44,925 arising from this translation has been charged to net income.

2. INVENTORIES OF MERCHANDISE:

Wholesale inventories are valued at the lowest of cost, replacement cost and net realizable value. Retail inventories are valued at the lower of cost and net realizable value.

3. LAND AND BUILDINGS:

The cost of warehouse buildings constructed on leased properties, included in land and buildings is \$818,892.

4. BANK INDEBTEDNESS:

The parent Company's bank loan of \$1,199,000 is secured by a floating charge debenture and a general assignment of book debts.

5. LONG TERM DEBT (Canadian funds):

	1974	1973
U.S. 9% promissory notes secured by the shares of Market Management Incorporated and by the guarantee of the Company	\$5,773,995	\$ 6,434,733
Canadian bank loan secured by a floating charge debenture	2,000,000	2,000,000
U.S. bank loan secured by the shares of Market Wholesale Grocery Co.	699,300	999,000
Property mortgages	607,269	456,521
Equipment loans secured by chattel mortgages	385,897	574,257
Other	46,808	86,568
	<u>\$9,513,269</u>	<u>\$10,551,079</u>

Instalments of principal due in the years 1976 to 1979 are \$1,252,000, \$1,634,000, \$1,482,000 and \$1,705,000.

6. SHARE CAPITAL:

During the fiscal period the Company issued 100,000 shares for \$350,000, pursuant to the agreement by which it acquired the California subsidiaries.

222,000 of the authorized but unissued common shares of the Company have been set aside to grant options to officers and senior employees and to provide for a stock purchase plan for other employees.

Options granted become exercisable at the rate of 20% per year on a cumulative basis commencing one year after the date of grants. Options to purchase 65,600 shares have been exercised to January 26, 1974 including 500 during the fiscal period.

The cash proceeds of \$351,000 from these issues were accounted for by crediting the par value of 20c per share to share capital and the balance of \$330,900 to premium on share capital.

Options outstanding at January 26, 1974 were:

Date of Grant	Option Price Per Share	Expiry Date	Outstanding January 26, 1974
October 17, 1968	\$3.03	October 1, 1974	2,300
December 12, 1969	\$2.55	December 1, 1975	2,000
September 29, 1970	\$2.00	September 1, 1976	26,100

There were no subscriptions outstanding at January 26, 1974 under the employees stock purchase plan.

7. COMMITMENTS AND CONTINGENCIES:

The companies have obligations under long-term leases for rentals of warehouses and retail stores aggregating \$1,773,388 per annum of which \$826,023 is recoverable from sub-leases to others.

The companies are contingently liable as guarantors of bank loans to customers in the amount of \$482,109.

At January 26, 1974 the Company was committed to expenditures of approximately \$1,300,000 to complete the construction and equipping of a new 150,000 square foot wholesale distribution centre in Calgary, Alberta.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers was \$252,923.

9. EARNINGS PER SHARE:

If all of the shares issued during the fiscal period and under option at January 26, 1974 referred to in Note 6 had been issued at the beginning of the fiscal period there would be no material dilution of earnings per share.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF HORNE & PITFIELD FOODS LIMITED:

We have examined the consolidated balance sheet of Horne & Pitfield Foods Limited and its subsidiaries as at January 26, 1974 and the consolidated statements of income and retained earnings and source and application of funds for the forty-three weeks then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 26, 1974 and the results of their operations and the source and application of their funds for the forty-three weeks then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDMONTON, ALBERTA
April 5, 1974

PRICE WATERHOUSE & CO.
Chartered Accountants

FINANCIAL SUMMARY

OPERATING RESULTS:

	1965	1966	1967	1968
Sales	\$42,064,613	47,107,790	52,838,914	58,114,973
Depreciation	92,243	93,687	97,774	158,684
Income before taxes	391,909	540,239	728,706	828,080
Percent of sales	.93	1.15	1.38	1.42
Per share	.22	.30	.41	.46
Income taxes	*	*	*	120,000
Net income	391,909	540,239	728,706	708,080
Per share	.22	.30	.41	.39
Cash flow	492,579	650,704	826,480	866,764
Per share	.28	.36	.46	.48
Dividends	—	—	—	—
Per share	—	—	—	—

* No provision for income tax was required for these years due to the tax loss position of the companies consolidated.

† The 1974 fiscal period consisted of 43 weeks only.

FINANCIAL POSITION:

Working capital	1,188,401	1,639,381	2,167,367	2,564,837
Ratio	1.29:1	1.41:1	1.54:1	1.63:1
Total assets	6,560,734	6,970,884	7,806,908	8,990,386
Shareholders	3,304	3,861	3,966	4,163
Shares issued	1,790,191	1,790,691	1,790,691	1,813,191
Shareholders' equity	2,342,459	2,893,481	3,634,817	4,409,067
Equity per share	1.31	1.61	2.03	2.43

OTHER INFORMATION:

Canadian:

Warehouses	9	9	9	9
Cash & Carry warehouses	3	3	4	4
IGA stores	60	63	68	74
MM stores	310	320	325	315
Mayfair stores	—	—	—	—
Triple S stores	—	—	—	—
Red Rooster stores	—	—	—	—

U.S.A.:

Grocery warehouses	—	—	—	—
Frozen food warehouses	—	—	—	—
Cash & Carry warehouses	—	—	—	—

1969	1970	1971	1972	1973	1974†
4,787,074	70,588,634	75,085,642	84,775,830	94,009,263	204,385,407
221,794	251,138	306,138	330,513	438,935	752,974
1,036,083	1,056,904	1,010,309	1,301,797	1,595,223	2,960,878
1.60	1.50	1.35	1.54	1.70	1.45
.57	.58	.55	.71	.87	1.54
520,000	560,000	520,000	625,000	755,000	1,550,000
516,083	496,904	490,309	676,797	840,223	1,341,127
.28	.27	.27	.37	.46	.70
737,877	748,042	796,447	1,138,903	1,321,168	2,147,448
.40	.41	.43	.62	.72	1.12
182,546	183,230	183,255	201,617	221,526	117,495
10.0	10.0	10.0	11.0	12.0	6.0

2,537,363	2,815,160	3,087,734	3,284,493	8,446,031	7,686,869
1.47:1	1.58:1	1.64:1	1.63:1	1.54:1	1.37:1
0,743,006	10,451,940	11,142,713	11,994,315	34,480,548	40,141,656
3,655	3,541	3,577	3,399	1,162	815
1,830,454	1,832,554	1,832,554	1,833,154	1,858,254	1,958,754
4,809,163	5,128,381	5,435,435	5,940,855	6,616,758	8,191,390
2.63	2.80	2.97	3.24	3.56	4.18

10	10	9	9	9	9
4	5	6	6	6	6
76	72	75	81	80	76
336	348	351	298	289	270
—	—	—	13	23	27
—	18	19	21	16	13
—	—	—	2	6	11

—	—	—	—	5	5
—	—	—	—	3	3
—	—	—	—	7	7

HORNE & PITFIELD FOODS LIMITED

DIRECTORS

EDWARD E. BISHOP, Q.C.
BRYAN A. ELLIS
DAVID A. GOLDEN
CARL R. GOSLOVICH
BERTRAM I. LOEB
DAVID B. LOEB
H. EDWARD MOORE
KENNETH W. QUINN, C.A.

OFFICERS

BERTRAM I. LOEB, Chairman of the Board
KENNETH W. QUINN, C.A., President
EDWARD E. BISHOP, Q.C., Secretary
THOMAS JACKSON, Assistant Secretary
A. NELSON GAHN, Vice-President, Canadian Wholesale Operations
DAVID W. MELLOR, C.A., Vice-President and Treasurer
RONALD J. GARLAND, Vice-President, Administration and Personnel

CANADIAN DIVISION

NORMAN R. MAYDONIK,
Director, Merchandising
MELVIN G. LINDGREN,
Director, IGA Stores
WESLEY L. ARMENEAU,
Director, Branch Operations
THOMAS G. VAN DER WEIDE,
Director, Corporate Stores
DARRYL H. SMITH,
Director, Advertising
ROSS P. JENSEN,
Director, Produce Operations
ROBERT S. MCKEE,
Director, Meat Operations
G. DENNIS McNAMARA,
Director, MM Stores
FREDERICK H. HARVEY,
Manager, Calgary Branch
WAYNE A. WAGNER,
Assistant Manager, Calgary Branch
JOHN M. FREEMAN,
Manager, Edmonton Branch
JOHN ANTON,
Manager, Peace River Branch
JULES R. WIEBE,
Manager, Medicine Hat Branch
IRVIN WEBER,
Manager, Dawson Creek Branch
DENNIS BRENNEN,
Manager, Red Deer Branch
WILLIAM WESKO,
Manager, St. Paul Branch
LAWRENCE BROWN,
Manager, Grande Prairie Branch
KENNETH J. PENNINGTON,
Manager, C. W. Boon & Co. Ltd.

U.S.A. DIVISION

H. EDWARD MOORE, President
CARL R. GOSLOVICH,
Executive Vice-President and
General Manager, Santa Rosa
LARRY MELE,
Senior Vice-President and
General Manager, Fresno
EDWARD J. LEBBOUS,
Vice-President and
General Manager, Glendale
RAYMOND V. FERRUCCI,
Vice-President and
General Manager, Modesto
ARTHUR W. GRIX,
Vice-President and
General Manager, Sacramento
HARRIET OROZ, Treasurer
MARY T. HOPKINS, Secretary
GLENN A. WEDIN, Assistant Secretary
CHARLES E. DeBERRY, C.P.A.
Assistant Vice-President and
Assistant Secretary
JOHN "DEL" ELAM,
General Manager, Eureka
JOHN C. MOORE, General Manager,
Fresno, Frozen Foods
WILLIAM H. BIRTICIL SR.,
General Manager, Santa Clara
HARRY MARKOWITZ JR.,
Advertising Manager
DAVID L. STAFFORD,
Assistant Manager, Fresno, Grocery

BANKERS The Toronto-Dominion Bank: The Bank of California

REGISTRARS & TRANSFER AGENTS Montreal Trust Company

AUDITORS Price Waterhouse & Co.

LISTED ON Toronto Stock Exchange: Montreal Stock Exchange



HORNE & PITFIELD
FOODS LIMITED

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